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Potter, Edmund

A letter on banking with
limited liability

London

1858

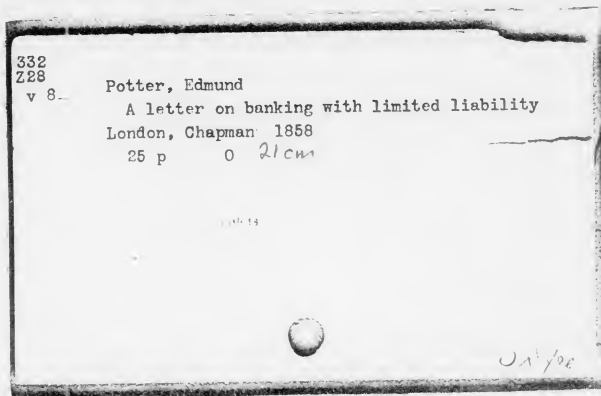
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A LETTER

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ON BANKING

WITH

LIMITED LIABILITY,

BY EDMUND POTTER.

LONDON:

JOHN CHAPMAN, KING WILLIAM STREET, STRAND.

MANCHESTER: JOHNSON AND RAWSON, 59, MARKET STREET.

1858.

A LETTER, &c.

DEAR SIR,

Two years ago we discussed, pretty fully, the question of Limited Liability in Partnerships.* Since that period, two Bills, granting under certain conditions, Limited Liability to Companies of above six subscribers, for all purposes except banking and insurance, have been passed. The first of these Bills was hurriedly passed at the very termination of the Session of 1855. It was found practically useless, if not positively dangerous, and was repealed on the passing of the present Bill in 1856—a Bill, admitting the principle to be sound, I am willing to confess useful and creditable enough.

The present Bill gives power to parties to form trading companies, and all other classes of association, (excepting banking and insurance) involving no further risk to the shareholders than the loss of the subscribed capital.

* Practical Opinions against Partnership with Limited Liability, in a Letter to a Friend, by Edmund Potter.—London: John Chapman, King William Street, Strand. Manchester: Johnson & Rawson.

Men may deal in money's worth in all shapes; they may buy calico for credit, and sell it for cash, but they may not buy bills and discount them, giving less gold for them by the rate of interest agreed upon, supposing they are bankers, without infringing the law,—in fact, banking is prohibited, but not pawn-broking; upon what principles it is hard to say. At all events, the promoters of Limited Liability, or rather the Cabinet, durst not enunciate the full avowal of the principle, that provided associated parties gave notice how they were trading with each other in money, their responsibilities to themselves and the rest of the community might be limited to a declared amount. Perhaps this was thought a dangerous doctrine to promulgate, when applied to £. s. d. I need not repeat at any length to yourself, the grounds on which the Limited Liability party sought and gained their Bill. They gained their point with the reservation I have stated. They now seek complete power to work out the principle of Limited Liability, and apply it to Banking: not, they state, merely to give parties power to trade or bank as they like with each other, or to make contracts, limited or otherwise;—but as a means of cure for wild and reckless Banking, such as the Western Bank of Scotland has pursued, to the ruin of hundreds of its shareholders.

Some of those who seek to complete what they partially obtained last year, and great authorities too in monetary matters, do not hesitate to express the opinion, that Limited Liability in Banking would

correct and do much to prevent, in future, such a monetary crisis as we are now passing through. I purpose presently to examine some few of these opinions, and to give you my own,—perhaps strengthened in my views by watching the evils I conceive to have arisen from Limited Liability Acts.

Very briefly referring to my former opinions, you will remember that I did not object to Limited Liability Charters for schemes, not competitive trading ones, but for such projects as might be a benefit either to their projectors or the country, and which private capitalists would not undertake.

But I never could understand the honesty of allowing a company of seven parties to work with a limited risk, whilst five, with precisely the same trade and capital, were to be fully liable. I could not comprehend why capital, differently distributed, should be differently treated. I could not see what the public was to gain by tempting speculations with Limited Liability, for I presume the good intended by absolving a debtor from liability beyond a declared sum, was hardly meant to be a bonus to him without an equivalent public good.

Perhaps it has been a most happy circumstance that high and increasing rates of interest, ever since the Bill came into operation, have prevented a world of mischief. Seven to ten per cent. interest has been a bar; safer investments have been plentiful, and cash scarce, and many who would have been tempted into the promised schemes to supply the public with every-

thing imagination could suggest, better and cheaper by means of joint capital, have been happily prevented.

If I had time, or it was not rather beyond my present purpose—viz., “an examination of opinions lately expressed in favour of Limited Liability being extended to Banking,” I should very much like to get one of my parliamentary friends to move for a return of all the Limited Liability schemes which have been projected since the Act came into force.

The *Economist* of the 19th of December, has an able and partially truthful article, on “The want of self-respect in the Commercial Classes,” in which it shows, and truly shows, how they are noodled by names, how easily they are duped, and led to join schemes (Limited Liability schemes, he might have said) merely from the fact of a few scheming, titled, and other names being placed at the head of them. I would ask that the return should give these names. I should like them marked by a shrewd private banker at their value,—that done, we might draw our own conclusion as to the objects they had in view. I should like the return also to give the past and present history of the acting directors, secretaries, and lawyers, with the deposits which each party had paid. The nature of the schemes and projects would be still more amusing. There has been no time yet for successful working, and therefore, it would be unfair to ask for a return of profits; however, a certain number have declared dividends, perhaps in some cases as an encouragement.

The returns ought also to give a real priced shareholder, which might also be tested. A few sheets of paper would, I fancy, give at one glance, such a collection of melancholy absurdities in the way of projects, the offspring of a single year, as would be unequalled by private enterprise in a score.

It was more because I thought the doctrine of Limited Liability a shrinking from the fair consequences of speculative acts, that I opposed it two years ago, than from the fear of consequences which would, in some degree, rectify themselves.

I anticipated then the folly and mischief of irresponsible management, and regretted very much the constantly repeated and, as I thought, fallacious example held up, of the practical and then apparently prosperous working of the Joint-stock system in the United States.

However, to limit myself to my question, is Limited Liability desirable, as applied to Banking?

I am averse to referring too much to the past, or to the practice and experience of other countries. I say *too* much.—I am not going to throw overboard experience; but I think I may remark that our monetary and mercantile transactions in this country so completely rule, or ought to do, from their power—growing power and extent,—the rest of the world, that we have only to establish a sound, responsible, and honourable career as an example, to compel others to follow us.

It has been well said in that very able paper, the

Saturday Review, "There are countries as famous for originating panics, as others are for the development of infection." America, and her apparent prosperity, infected us with the idea that she made capital more profitable than ourselves—she stretched credit further—in fact she, not our Joint-stock Banks, originated the panic which is now sweeping over the entire mercantile world. I do not say it could have been avoided even had she met most of her engagements, but she has added to its virulence by her Limited Liability and credit system. I ventured the remark two years ago, that in the United States, Banks paid a better rate of profit than trading and mercantile companies. Banking, some of us think, ought to be a safe, prudent calling, and not a high rate of profit-paying business. If new Banks, without long-gained connections, pay high dividends here, we think it must be by risks and high rates of discount. Can these be beneficial? I have no positive means of making the assertion; but I might venture a question, which I think your experience would answer in the affirmative. Are there not in the States, more than double the number of Banks we possess, in proportion; and is not the cost of Banking to the commercial interest there, infinitely more costly than with ourselves,—is it not many times so? Is not this a necessary consequence of the system of credit, and the Joint-stock associations? Is it not in consequence of the extent to which Limited Liability, in various forms, is carried on?

Does not systematic jobbery in scrip, shares, and schemes of all sorts, by mercantile houses in New York, in addition to their legitimate business, exist to a fearful extent; and is not this system carried out by means of rediscounted paper, or pawned scrip and shares?—limited shares, in fact, used as a floating paper currency? Will not there be a larger creation, and a greater willingness to create paper, upon which the liability is limited? You remind me that limited paper would become depreciated, and therefore could not be forced out. I say the depreciation, in prosperous times, is not so great as to bar its issue and circulation. I admit depreciation comes with double force in a panic, but is unheeded and almost unthought of previously.

I think no one will deny but that the present panic first showed itself in the excess of American paper, for which she had drawn from us too large a share of commodities. Various conjectures, as to the amount of English capital latterly invested in American securities, have been hazarded. The sum no doubt is very large, and the lessened value, or the real present saleable value, would shew a loss probably larger than the fearful amount calculated a few days ago, as the entire loss by late failures in this country. So long as the Americans went on expanding in paper and credit—good. The hour of contraction came; they quietly adopted a general suspension of cash payments: we could not do that, and the consequence has been the crushing contraction under which we are now suffer-

ing. The panic, then, arose in America from contraction, brought on by a surfeit or plethora of paper, created and maintained by an unsound system.

What has been our own course and progress? Immense expansion, chiefly in monetary matters. Let me explain. I believe our Bill circulation to have largely increased, far out of proportion to our commerce and manufactures. We have done more in long paper, and less in short, sound, mercantile Bills, representing produce only. We too, as we have expanded, have forced up the price of all sorts of commodities, and exhibited the strange and puzzling anomaly, (which every one was ready to explain as an excess of success) of dear, very dear money, and continually advancing rates in produce. Consumption was forced, and high prices were given; paper was created and discounted; ten per cent., it was exultingly said, was no bar,—only a slight slice off the merchants' profit, which he could and ought to pay. This surfeit of paper, partly drawn against high-priced produce (valued at prices never to be realized), and much of it under the promise of being provided for when due, came to us, and forced on the crisis; and we found ourselves holding an excess of paper,—of a class created largely as a vehicle of profit for the use of a name. This paper was sent from all parts of the world. Hamburg, with its solid metal currency, had been led into the system, following a bad example; and the sober mercantile houses of past times were found to have bought and sold paper, merely as they were formerly accustomed to purchase

produce. In fact, it would seem that every nation which could send any produce to draw against, had doubled its drawings on credit only, as if no ultimate responsibility existed. High rates of discount ultimately told, the weakest paper was thrown out, and then came the reaction. A deficiency exists; the loss must be divided—how? It will be widely spread, no doubt, as a rule, but in largest portions amongst those who have lent their names for a per centage without security, either through Banks or otherwise. Such paper will come to an end. The demand for discount at high rates will cease, money will resume its average value, and produce and commodities be cheaper; we, as a community, shall be healthier and more prudent after much suffering, and the sound doctrine of supply and demand will be more faithfully relied upon.

None, perhaps, have profited except the solid, prudent, monied interest—the real legitimate Bankers. Capital has been in large demand, and has received its reward. This again has led the borrower of a discountable name to pay handsomely for the use of it; the owners of such have in fact been thus tempted by large apparent profits. I have heard it stated that particular houses, never perhaps really possessing any great amount of real solid capital, in many cases not equal to a six or twelve months' profit, actually profess to have been gaining upwards of £50,000. per annum. The temptation arising from this system was too great—prudence gave way. In fact, there is scarcely any temptation so great as

that held out to the speculative capitalist. Expansion is easy, returns, by re-discount and pledging so quick, the needed capital so small, and the power of jobbing in all ways so easily acquired, that human nature, once embarked in the headlong course, cannot restrain itself.

Another cause of mischief, arising from the unsound working of public bodies, the Legislature may do something to check, at least so far as by insisting upon greater publicity of accounts and management. I allude to Joint-stock Banks. Some few of them, very few in proportion to their numbers and power, have largely contributed to the mischief of the present hour. Three establishments, the Western Bank of Scotland, the Liverpool Borough, and Northumberland Bank, however, are almost exceptions from the others in extent of recklessness and improvidence. The swindling London establishments are mere examples of clever knavery, and perhaps their example, and the publicity given to it, if punishment does not follow in some instances, may prevent future repetitions, at least very immediate ones.

The mischief done by the abuse of credit, by the Western Bank, the Liverpool Borough, and Northumberland Bank, are made the occasion, then, by the supporters of Limited Liability, for another appeal in favour of the extension of the act to Banking. The misery and suffering of the shareholders, awful in its extent certainly, are brought prominently forward as a reason; but the Legislature is asked to prevent banks

with unlimited liability, obtaining such an amount of credit, and such amounts of deposits on the faith of the entire responsibility of all the shareholders; because such power is liable to be abused by the carelessness of these shareholders themselves. They allowed their directors to trade recklessly with their funds and credit, and to pay the nine per cent., without enquiry at all into the ability of the bank (the Western one) to do so; nay, they allowed this, whilst many of the shrewdest shareholders actually suspected they were too liberally paid.

Well, now, it is proposed to correct this evil course, this exceptional mischief—for I do say, though great in extent, it is comparatively exceptional, and I feel confident, as regards the Joint-stock Banks generally, it will prove to be so—it is proposed to prevent this power for evil, by limiting the responsibility of shareholders. They may have nine per cent. or more if they can get it, and in case of failure, the depositors are to receive what is left of the amount paid up, and no more. The shareholders are to take the entire profit, and bear only the partial loss. The credit of the Bank being limited, its power of mischief, it is assumed, would be equally so. I am not aware that it is gravely proposed to prevent there being Joint-stock Banks with unlimited liability, with their chances of greater credit, larger deposits, and more means of profit when decently managed, or whether it is proposed to allow banking with Limited Liability only. The shareholders in Joint-stock Banks apply for per-

mission to trade under associated rules, in the hope of deriving profit from capital without giving special attention on their own part, their credit and entire responsibility gaining them this profit, when well and carefully managed. And, now when on account of their carelessness, a day of reckoning comes, and the mischief and consequent suffering are large, it is suggested—not that the lesson of experience should be allowed to provide prudence and forethought for the future—but that the losses of the shareholder, the fundamentally guilty party after all, should be restricted by means of a Limited Liability. He asks to be allowed to try Banking with a Limited Liability, consenting to the probability of a smaller rate of profits, or taking a larger if he can, but asking for a liability, limited to the sum he is to state he is willing to risk in the lottery of Banking.

It is sought by this indirect means to prevent Joint-stock Banks from discounting risky paper. Much has been said and written upon the heinousness of taking certain risks. If the folly and unsoundness of the risk run, and entire responsibility, will not prevent its being incurred, nothing else will. Private Bankers with capital, are not found, *even now*, to have taken such risks, simply because they had the knowledge of their direct and full responsibility. You would not attempt to restrict a private Banker from discounting any paper he chose; you could not; you could have no right to interfere in any way. He would and must take care of himself; if he did not, he must simply

suffer. Yet it is coolly proposed to allow associated Bankers the same freedom in so far as profit is concerned, to make mischief to the greatest possible extent, but to give them limitation in loss.

The Western Bank, and the Borough Bank of Liverpool have been doing an unsound and speculative business; so have very many private traders, and mercantile Banking Houses. That the latter ought to be responsible no one denies, and deeply though it may be regretted that the partners of —— and Co., who might have been worth a million twelve months ago, come out of the disasters without a sixpence left, it is simply just. Is it otherwise than right that their creditors should be paid, even though every acre be sold for the purpose? —— and Co. have been trading in competition with the Western Bank; both co-partneries have suffered, and both must pay alike. With renewed activity in trade and renewed profits, the present lesson will be forgotten, and the same or some similar game will probably be played over again. But it is proposed to provide some future Western Bank with the power of competing on a different footing. The Joint-stock is to be allowed, by making a declaration of Limited Liability, on a future crash, to come off by making only a limited payment, whilst —— and Co. are to be sacrificed. What should we (the public) gain by this competition? We want prudence, forethought, and high moral responsibility in business, secured by pecuniary responsibility;—this it is proposed to lessen. The

argument I am aware is, that a new Western Bank being limited, would not have the credit, or power of mischief the former one possessed. But if men risking their entire means, have been so careless and speculative, what will they not do in the race of competition when the risk is limited to the paid-up share? A curious question suggests itself;—suppose the Western Bank had been a Limited Liability Company, would certain shareholders of great reputed wealth have come forward so readily, with offers of work and security? Was it a feeling of moral responsibility, or of unlimited liability, that compelled them?—is it not for the public good that they should so come forward? Will not the energy and capital secured to the Western Bank, be the very best means of preserving what property there is left to the shareholders and creditors?

A few words on the probable profits and prospects of Joint-stock Banks with Limited Liability. Supposing some three or four Banks, on the Limited Liability principle, with capitals of £500,000. each, were established in Glasgow, to take up the greater part of the Western Bank business, is it supposed those Banks would pay a decent dividend, not re-discounting, and confining themselves to a moderate business? They would not be as safe, of course, to depositors, as an unlimited liability bank; they would not therefore have the deposits; they could not therefore discount so profitably; they could not give the same rate of interest or of profit. Shareholders,

in fact, would prefer the unlimited risk with the extra dividend, as they may safely do, if, with common prudence, they will look after their own interest.

You will tell me, that whilst I am objecting to Limited Liability in Banking, I avoid referring to the risks arising from unlimited ones, and put the question to me, what I think of the nine London Joint Banks, holding deposits to the extent of upwards of £40,000,000. with a paid-up capital of only £4,000,000., and reserve funds amounting in addition to £680,000. My answer simply is, 6,000 shareholders, together with some thousands more who have transferred shares within three years, are *unlimitedly* liable to the extent of their entire property; and that if all, or any one of these Banks suspended, every creditor would be paid. The average dividends are very high; the price of shares is high, and the 6000 shareholders are very willing, evidently, to take the entire responsibility; should they be prevented? Whether it may not be the duty of the Legislature to require, as a precaution against a panic, and as a compensation for the large dividends these associated companies are able to pay, *by reason of the privilege granted by the Legislature*, some additional security, such as an investment in government stocks in some degree proportionate to their deposits, is a question I am not prepared now to discuss, though I may have opinions on the subject.

As regards Limited Liability Banks, whatever amount of paid-up capital they might have, supposing

them established in London, and holding £40,000,000. of deposits, I think the public would shudder at the risk, with nothing to fall back upon except a capital, fastened up it might be, to a great degree, in inconvertible securities. The said public is apparently very comfortable *now*, with the unlimited liability of six or eight thousand fully responsible shareholders, and the capitalist directors, connected with the London Joint-stock Banks. I do not think either that the security would be one bit better with the said £40,000,000. of deposits divided amongst double or treble the number of Banks. Small Banking establishments would not pay in competition with the larger ones, or even with private Bankers; and it is an admitted fact, that some further Joint-stock Banks would have been started now in London, except for the difficulty of finding experienced and responsible managers. Would Limited Liability Banks be safe, with limited intelligence for a smaller scale of business?

One further remark. It is proposed to give a sort of Limited Liability, by making each shareholder liable to be called upon for double the amount subscribed, as a reserve. This is nothing more than half the capital paid up, and a concession, to my mind, that Limited Liability is not in itself sound. The known fact of the probable reserve of capital, would be a borrowing credit, and would be considered by depositors as increased security no doubt, in a slight degree. If Limited Liability has any value, it must be in the

entire capital being paid up, and constantly shewn to the public (*if possible*) as intact. With the extra Liability attached to the shares, their value would be many times lessened in the eyes of the promoters of Limited Liability; they could not be pawned or deposited as security, because they would carry a liability with them.

However, I do not think it is worth while discussing the question modified, at all. Either the principle of responsibility is sound or unsound.

I have been led into these remarks, chiefly I admit, by the continuous series of ably written, though I think unsound articles in the *Times* newspaper. Now the *Times* has not been one whit more prudent in the tone of its previous articles, than we who have thought on and acted in commercial matters. The fact is, the public, and the leaders of public opinion are too apt to hail rapid expansion and high prices as a test of profit, without considering at the time, that both are swelled beyond legitimate bounds by unsound and overstretched credit, relying and based on the apparent security of continued expansion. The day of reckoning comes. No law can prevent individual competition, and individual expansion; periodical checks, healthy storms will come:—and what is the one remedy now urged most prominently, at the beginning and end of almost every monetary article in the *Times*?—Limited Liability.

Admitting the great amount of mischief that has

arisen in Joint Stock Banks, from the too large masses of capital and great means of credit which have been placed at the almost uncontrolled disposal of parties, in many cases entirely unfit for the trust:—what are we to think of the soundness of the following assertion in to-day's *Times*, (24th December, 1857,) as an argument for Limited Liability in Banking?—

“Trading by fictitious or doubtful bills having been the cause of all our recent commercial trouble, and the fact being proved that these bills are called into existence by the demand of the Joint-stock Banks, for some mode of employing the enormous deposits which, by offering the security of the unlimited liability of their shareholders, they attract from all quarters, it is easy to see that the question whether we are to have in a few years a repetition of the evil, depends entirely on the continuance of the existing law. The repute of the Western Bank of Scotland, the Liverpool Borough, and the Northumberland and Durham District Banks, had been doubtful for years, and every one knows that if their credit had simply depended on the character of their management, or the amount of their paid-up capital, they would neither have been able to entice deposits, nor to obtain rediscounts from the London money lenders. The facts that creditors for an aggregate amount of £16,000,000. sterling are now kept out of their claims; that about 2,000 shareholders are ruined or impoverished; that honest traders have for the past seven or eight years been driven from the market; and that the commerce of the country has, to a great extent, been placed under the command of organized gangs of swindlers, must therefore be charged to the system which compulsorily invests such concerns with the power they possess.”

Now as to the facts, before we test the remedy. The *Times* itself, a few days previously, gave a list of failures, far from complete, amounting to about £50,000,000., including these Joint-stock Banks. I

should be disposed to add £10,000,000. or £20,000,000. to the amount. The creditors of the Joint-stock Banks, for their claims of £16,000,000., no doubt will be paid 20s. in the pound. The probability is, that out of the remaining £50,000,000., the dividends will not be more than 6s. 8d. in the pound; and the loss to the public may be, in round figures, about £33,000,000. Is it then fair, to charge upon the Joint-stock system of unlimited liability in Banking, the cause of *all* our commercial troubles? The Bank debts, the *Times* quotes at £16,000,000., perhaps one-third lost. The plea for the law which is to prevent recklessness in all other kinds of Joint-stock trading, is now put forth in pity for the 2,000 shareholders, who have been literally bestowing no trouble, and very little thought upon their own partnership business;—for this thoughtlessness, and to preserve them partially harmless in future, the *Times* urges Limited Liability. I pity, just as much as the writer, the sufferings of those who are deprived of many comforts, even it may be the means of existence; but I differ widely as to the future policy suggested. I should like to see a public writer of such power, constantly warning those who depend upon fixed incomes,—all clergymen, widows, and single ladies,—against being deluded into the supposition that they can get extra profit (interest) without extra risk,—the result of work without labour. We have thundering philippics against grinding competition in trade. We are reminded of our grasping cupidity, of the sacrifices we make of health, comfort, refinement,

and what not for profit, not always fairly stated against us. We compete fairly, in the main soundly and honestly. We take our risk of loss. Let those just as anxious to mend their positions in life, be constantly reminded that it is but fair that they should run their concurrent risk. Tell this helpless class (helpless, I mean, as regards the knowledge of commercial means of competition) of this fact, this inevitable justice, and we should hear less of projected laws which, as they are meant to lessen risks for certain modes of trading, must inevitably lead by new modes to wilder speculations.

I remember hearing a proposition floated as to the probable success of a Joint-stock Speculation Company, formed under Limited Liability, and though I would certainly not take part in any such scheme, I believe it might succeed, and be very beneficial to the shareholders, but would be singularly hurtful to the public. It would, however, I think, show the *high morality* of Limited Liability. The proposition was as follows:—Let a company be formed with a paid-up capital of a million; choose as directors some half-dozen gentlemen and pay them well; let each be compelled to hold shares to the amount of £5,000.; give them for a twelve-months a despotic power of speculating as they liked in the boldest and most decisive manner;—they could only lose their £5,000. each, and their supporters only their limited shares. They might, with the knowledge and prudence and that decision which a small number can exercise, and with the power of real capital they

possessed, so play with the produce market in various classes of commodities, as to be able, I fully believe, to realize on the average large profits, though at times encountering losses. I believe such a scheme might pay the shareholders well, but the consequences would be severe loss to the private and responsible trader. The above is not a very moral suggestion you will say, but yet, to use the words of one of the ablest supporters of the Limited Liability doctrine—the Legislature by “permitting, encourages.”

We are told by the leader of public opinion, “that fictitious and doubtful bills called into existence by the demand of the Joint-stock Banks, have been the cause of all our commercial trouble.” The remedy is to be found, as he thinks, in the curtailment of the power of these Banks; not by a more thorough responsibility and forethought, induced by suffering and experience, on the part of those who share the profits and give power to the directors of these establishments, but by a lessened responsibility upon the shareholders, and by what the writer fancies would be a decreased power in the hands of the directors for mischief. And yet, strangely enough, he has admitted that the directors of even Limited Liability Companies have, as a rule, treated their constituents with thorough contempt. So it would be in Banks, and with a freer field for jobbery and plunder, for no responsibility would be required except the ownership of a few shares, perhaps five hundred pounds’ worth, readily pawned like railway scrip, as carrying no liability. With this amount of capital,

Mr. A. B. becomes chairman, deputy-chairman, or influential director of a Bank with a paid-up capital of half a million,—and fool or worse though he might be, who could turn him out, even though the best man in Europe were ready to take his place? Boards of directors are very tender as regards each other; how few instances have occurred of changes being made from within the directory for the benefit of the shareholders, or at all, excepting when the dividends were actually nothing! Surely then, it is a move in the wrong direction to hint at lessened responsibility as a remedy for the errors, careless and moral, connected with Joint-stock management. "Joint-stock Banking Companies have been the cause of all our present commercial troubles," says the *Times*; those of us who are a little behind the scenes and who have some knowledge of these matters, hardly think so. We admit the large share of mischief done by some of the Joint-stock Banks, and even think that the Bank of England might have held her own, and that her Majesty's Ministers would not have suggested the suspension of the Bank Charter,—which act might still have been considered a very fair and serviceable working act and have needed no alteration, even if it do so now,—had it not been for the mismanagement and reckless trading of the Western, and two or three other Joint-stock Banks. Without their aid, however, merely as the result of too rapid expansion, and great competition, we should still have had a crisis upon us, not so severe perhaps, about this period; it could not have been long deferred, and is a natural consequence of over-trading.

With America still as an example and competitor, and with a trade in exports and imports between us of about £50,000,000. per annum, she, with her paper, her Joint-stock system, and her long-credit bill system—too deeply rooted to be eradicated,—will aid us to another panic. Forewarned, we should cling to a convertible currency—a metallic basis—a single bank of issue, and as short-dated bills as compatible with the distance of the markets we deal with. Then, with thorough responsibility, moral and financial, we shall preserve our position as the leading merchants and manufacturers of the world, and our credit will be better prepared for a financial pressure.

Yours truly,

EDMUND POTTER.

MANCHESTER, *January 9th*, 1858.

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